

## No Interest Deferred Payment Plan (NIDPP)

### Definitions

The following definitions apply to words used frequently in this document:

**Administrator** – Means LGM Financial Services Inc. (or its successor(s) who is/are to administer this Agreement on Our behalf).

**Certificate** – Means the Contract, Policy or Membership Agreement which the No Interest Deferred Payment Plan Program will be applied to.

**Certificate Life** – the time between the Certificate Purchase date and the Expiration Date.

**Lienholder** – Means the person or company that has advanced the money for the purchase or lease of the customers Vehicle.

**NIDPP** – Means the No Interest Deferred Payment Plan.

**Payment** – means the payment frequency option of bi-weekly, or monthly

**Privilege** - Means the privileges that the customer is eligible for under the Membership Agreement as selected by the customer as shown on the Registration Page of the Vehicle Loss Privilege Program (VLPP.)

**Products** – Means Mechanical Breakdown Protection, Appearance Protection, Prepaid Maintenance, and Vehicle Loss Privilege Program (VLPP) Partial Loss Event, Total Loss Event, and Negative Equity Privileges when the program is approved.

**“Purchase” or “Purchasing”** – Means the process of the Selling Dealer purchasing the certificate within the HUB.

### What is the No Interest Deferred Payment Plan (NIDPP)?

The No Interest Deferred Payment Plan (NIDPP) is a pay-as-you-go program. It **may be** available on Mechanical Breakdown Protection, Appearance Protection, VLPP (Partial Loss Event, Total Loss Event, and Negative Equity Privileges) and Prepaid Maintenance products. With no qualification or approval process required, all customers are pre-approved at 0% interest, making these products more affordable and easier to sell. The NIDPP is easy to propose and administer as there is no additional paperwork to complete or time-consuming lender approvals.

### Which products are eligible for the NIDPP?

It may be available on Mechanical Breakdown Protection, Appearance Protection, VLPP (Partial Loss Event, Total Loss Event, and Negative Equity Privileges) and Prepaid Maintenance products.

### Program Benefits to Customers & Selling Dealers

There are many scenarios in which the NIDPP will be beneficial for your dealership and customers:

1. As some customers pay cash for their vehicle purchase, they may not have considered the investment required for additional products. By taking advantage of the NIDPP, they can now afford the products through their chosen payment frequencies.
2. As some customers only qualify for a specified finance amount from their lending institution the NIDPP can bridge the financial gap should this exceed their financial limit enabling the purchase of additional products.
3. As a customer nears the expiry term of their original manufacturer’s warranty, and have decided to keep their vehicle, there is an additional sales opportunity to sell a warranty product to provide extended vehicle protection. (Specific to Warranty Products)

### Application Process

The application process simply requires the completion of a short online section of the certificate which requires the entry of the customer’s bank or credit card information.

## **Payment Information**

### **Minimum Down Payment Required**

When a down payment is made, it will be charged **immediately** to the customer's indicated payment method by the Administrator, after the Selling Dealer processes the "Purchase."

### **When Do Payments Begin?**

The Administrator will process the Down Payment immediately after the Selling Dealer "Purchases" the certificate. The recurring payments will begin on the date indicated as the first payment date which must be within:

Bi-weekly – 14 days

Monthly – 30 days

### **When will the customer's payments be charged to their Credit Card or Bank?**

The customer's first payment will be charged on the day that is indicated as the first payment. Subsequent payments will be dependent on the payment frequency selected:

Bi-weekly – Every 14 days

Monthly – Every 30 days

Please note that if the customer has chosen a day such as the 31<sup>st</sup> and has chosen a payment frequency of monthly, the customer's account will be charged on the last day of the month. Ex. First payment date is January 31<sup>st</sup>, the February payment will be charged on the 28<sup>th</sup> of the month.

Customers that have chosen to have payments charged to their bank should also be advised that if a payment is scheduled for a date that is a holiday or weekend, the funds will be charged on the next business day.

## **Payment Details**

The customer will make equal payments resulting from the total cost less the down payment, divisible by the allowable deferred payment term. The allowable deferred payment term varies based upon the length of the certificate life.

The first payment will be charged to the customer's indicated payment method on the date provided within the NIDPP Agreement.

### **Can the customer select any date as the First Payment Date?**

The 1<sup>st</sup> payment must be within:

Bi-weekly – 21 days

Monthly – 45 days

The system will indicate what the last date available is.

### **Who collects the Down Payment?**

The Administrator collects the down payment from the customer's indicated payment method. Refer to the Minimum Down Payment Section for more information on the down payment.

### **When will the Administrator collect the Down Payment?**

The Administrator will process the Down Payment immediately after the Selling Dealer "Purchases" the certificate. Refer to the Minimum Down Payment Section for more information on the down payment.

### **Payment methods available to the Customer**

The customer payment methods available are:

- Credit Card
  - Visa & MasterCard only
- Bank information
  - Excluding Line of Credit Accounts

### **In the event of a payment default**

If a customer defaults on one of their payments, the Administrator will contact the customer, via email or posted mail, to collect the outstanding amount due including any fee(s) outlined in the NIDPP Agreement regarding defaulted payments. The customer will be required to make up any defaulted payment(s), including any applicable fee(s), to bring the account back into good standing.

Under the terms of the NIDPP Agreement, a fee of \$50 (for Prepaid Maintenance the fee is \$0) will be charged against the customer's account for each default payment during the term of the agreement. This charge is required to cover the associated bank fees related to the payment default charged to the Administrator.

### **What happens if the Administrator cannot recover the defaulted payments from a customer?**

In the event the customer defaults and has not resolved the default within 15 business days of the regular payment due date, the Administrator will issue a written notification, via email or posted mail, informing the customer of the Intent to Cancel the NIDPP Agreement as well as the certificate.

The Intent to Cancel notification will indicate when the customer must rectify the payment default or the cancellation will be completed.

In the event of a cancellation of a certificate and the NIDPP Agreement, the following cancellation terms will apply:

1. In the event of a cancellation due to payment default, the Administrator will cancel the certificate pro-rata based on time as of the date of payment default..

In the case of cancellation due to payment default, the customer will not receive a refund and the Selling Dealer will be responsible for the pro-rated portion of the Net Markup, less any funds collected in excess of used retail cost + cancel fee + claims paid (to a minimum of 0.00).

2. In the event of cancellation on a cancelable certificate by request of the customer/Selling Dealer or on a non-cancelable certificate by request of the Selling Dealer (cancellation not due to payment default), the Administrator will cancel the certificate using the pro-rata method of time/mileage.

In the case of cancellation by request, the refund due to the customer will be calculated according to the pro-rata method of time/mileage, including a cancellation fee (plus tax) and paid claims as well as the total funds received from the customer excluding any NSF fees charged. The Selling Dealer will be responsible to reimburse the Administrator any amount of the unearned Net Markup.

### **How does a customer change/update their payment information?**

The customer must contact the Administrator directly either by:

- Telephone: 1.800.510.8372
- Email: [service@lgm.ca](mailto:service@lgm.ca)

## **Finance Terms**

### **What Finance Terms are available to the customer?**

Flexible payment terms to the earlier of either: (1) up to a max of 48 months or (2) the contract life less 12 months.

Examples of payment terms available for MBP contracts for vehicles still under factory warranty (where contract expiry is generally calculated from the vehicle ISD):

Vehicle ISD	MBP Contract Date	MBP Contract Term Months	MBP Contract Expiry	Contract Life # Months	Maximum # Months for NIDPP Payment Term (Up to 48 months or Contract Life – 12 months)
Feb 26 2022	Feb 26 2023	60	Feb 26 2027	48	36
		72	Feb 26 2028	60	48
		84	Feb 26 2029	72	48

Examples of payment terms available for MBP contracts for vehicles which are out of warranty (where MBP contract life is generally calculated from the MBP contract date):

Vehicle ISD	MBP Contract Date	MBP Contract Term Months	MBP Contract Expiry	Contract Life # Months	Maximum # Months for NIDPP Payment Term
Dec 1 2017	Feb 26 2023	12	Feb 26 2024	12	Not eligible for NIDPP
		24	Feb 26 2025	24	12
		36	Feb 26 2026	36	24
		48	Feb 26 2027	48	36

## **Administration Fees**

### **Is there a fee associated with the NIDPP?**

In order to administer, finance, receive credit card and pre-authorized bank payments towards the NIDPP, the Administrator is required to charge the Selling Dealer an administration fee to cover such costs.

The administration fees for the NIDPP agreements are as follows:

- \$295 plus applicable taxes for Mechanical Breakdown Protection products
- \$295 plus applicable taxes for VLPP Privileges
- \$295 plus applicable taxes for Appearance Protection
- \$50 plus applicable taxes for Prepaid Maintenance products

**Note:** This administration fee is a cost to the Selling Dealer and may not be passed to the customer as it violates Provincial Regulations.

### **Why is the Administration Fee charged to the Selling Dealer?**

The Administration Fee is a charge to the Selling Dealer for the cost of processing the certificates sold using the NIDPP program.

### **Can we charge the customer the Administration Fee?**

No, this fee may not be passed along to the customer as it violates Provincial Regulations.

The Administration fee will be invoiced per Certificate sold using the NIDPP program.

### **Cancellation Charge-backs**

#### **How does the Administrator calculate the cancellation chargeback resulting from a cancellation due to payment default?**

The cancellation chargeback is calculated by the following method:

Total Selling Dealer Markup \* Pro-Rated Refund % less any funds received in excess of Pro-Rated Earned Retail Cost + Cancel Fee (inc tax) + Paid Claims (to a minimum of 0.00).

#### **How does the Administrator calculate the cancellation chargeback resulting from a cancellation by request?**

The cancellation chargeback is calculated by the following method:

(Pro-rata % of Total Selling Dealer Profit) + (Pro-rata % of Total Selling Dealer Markup) to a maximum of the total Selling Dealer Profit.

#### **When a NIDPP Financing Agreement is cancelled, why is the NIDPP Administration fee not pro-rated and refunded to the Selling Dealer?**

The NIDPP administration fee is a charge to the Selling Dealer for the administration costs to use the program and cannot be passed on to the customer due to Provincial Regulations. Only in the event of a 100% cancel will the Selling Dealer be reimbursed for the NIDPP Administration Fee..

### **Cancels and Refunds**

#### **If a customer cancels their current NIDPP certificate and purchases another certificate will they have to pay a cancellation fee? (Not applicable to VLPP Privileges)**

No, as with other types of certificates, in the event of a new certificate being purchased the cancellation fee will be waived.

#### **If a customer cancels their current NIDPP certificate and purchases another certificate, can the dealership issue the customer portion of the refund directly? (Not applicable to VLPP Privileges)**

No, all NIDPP certificates must be cancelled through the Administrator and the refund must be issued from the Administrator to the customer directly. This will result in a charge back to the dealership.

#### **Why does the Administrator have to refund the customer directly?**

The NIDPP Agreement is a contract between the customer and the Administrator, and the Administrator is collecting the funds directly from the customer's credit card or bank account. Also, due to the Administrator taking payment directly from the customer, and the time delay between a requested cancellation quote and submitted cancellation request, a customer refund could change.

#### **How does a customer obtain a refund should they cancel a NIDPP certificate (when applicable)?**

All NIDPP certificates must be cancelled through the Administrator due to the calculations factoring in the amounts the customer has paid and claims incurred.

#### **Why could a NIDPP certificate be canceled?**

There are two different types of NIDPP program cancellations which will result in different possible outcomes; Cancellation Due to Payment Default and Cancellation by Request (when applicable).

What obligation does the Selling Dealer have if the Administrator processes a cancellation of a NIDPP certificate?

The Selling Dealer is responsible to pay the Administrator for the requested cancellation chargeback, and any unearned part of the dealer markup that was issued to them in advance in good faith.

### **VLPP Privilege Entitlement**

#### **If a customer requests an entitled Privilege but has a balance remaining on the NIDPP Agreement, will they receive the full Privilege Amount?**

Any entitlement for Privileges will be reduced by the aggregate remaining amount outstanding under the No Interest Deferred Payment Plan.

#### **Will the customer's NIDPP balance owing be reduced by the withheld entitled Privilege?**

Yes, the Administrator will apply the entitled privilege amount to the outstanding balance. This may result in the NIDPP Agreement being satisfied and the certificate being paid in full.

#### **Will the Administrator still apply payments to the customer's credit card or bank account?**

If the entitlement for Privileges is less than the amount outstanding of the No Interest Deferred Payment Plan, the Administrator will continue to apply payments to the customer's credit card or bank account until the balance is paid in full.

#### **Will the payment amounts change?**

If the entitlement for Privileges is less than the amount outstanding resulting in the Administrator continuing to apply payments, the payment amount will remain the same. The last payment date will change and the final payment may be different.

#### **Will the customer be informed of the changes to the payment plan due to the application of Privileges?**

Yes, the customer will be notified, via email or posted mail, of the amount applied as a Privilege, as well as the balance outstanding and the remaining payment details.

### **Selling Dealer Information**

#### **Does the Selling Dealer collect the Down Payment from the customer?**

The Selling Dealer does **NOT** collect any funds from the customer. The Administrator will process any down payment amounts.

#### **Does the Selling Dealer submit any documentation to the Administrator?**

The Administrator does not require the Selling Dealer to submit documentation pertaining to the NIDPP Agreement or the certificate to which it applies.

#### **Is the Selling Dealer required to remit any funds regarding the certificates sold under the NIDPP program?**

The Selling Dealer is responsible to remit funds to the Administrator for the invoiced Contract Administration Fee. The Administrator will be collecting the total certificate cost from the customer, including the Selling Dealer's cost of the certificate.

#### **When will the Selling Dealer receive their Dealer Markup from the certificate sold on the NIDPP?**

Once the Administrator has successfully received the customer's down payment, the Administrator will issue the Selling Dealer their Dealer Markup (including applicable taxes). The cost of the certificate to the customer is not affected by utilizing the NIDPP program.

As the Administrator is collecting the Down Payment from the customer, the Selling Dealer will receive their Dealer Markup including applicable taxes approximately one month after the date of sale.

The Administrator may withhold the Dealer Markup from the Selling Dealer if there are overdue balances on their Dealer Account.

#### **How is the Dealer Profit calculated?**

The Total Dealer Profit that is issued to the Selling Dealer is calculated as follows (using amounts including applicable taxes):

Total Customer Cost – Total Dealer Cost OR Markup less PCode

## **How to Complete the NIDPP Agreement in the HUB?**

### **Finance and Lienholder Selection**

When entering the certificate in the HUB, the Selling Dealer must:

- Indicate that the certificate is to be “Financed” and
- Select LGM – NIDPP, Vancouver, BC from the Lienholder drop down menu.
  - Please note that this step must be completed to allow for the on-line completion of the NIDPP portion of the certificate.

### **Payment Schedule**

- Enter the Down Payment (including taxes) being paid by the Borrower (Customer).
- Select the Payment Frequency, which is the frequency the customer wishes to make payment and can be bi-weekly, or monthly
- Select the Payment Term, which is the number of payments the customer wishes to make, from the drop down menu. Refer to the “What Finance Terms are available to the customer?” for details regarding the specific terms available in the drop down menu. Please note that each certificate will generate specific financing terms according to the rules associated.
- Enter the 1<sup>st</sup> payment commencement date, from the drop down menu, which must be within  
Bi-weekly – 21 days  
Monthly – 45 days  
  
(they default to 14 and 30 respectively but can be shorter or longer to the max)
- Select Payment Information. Enter either a valid credit card number and expiry date (Visa or MasterCard only) or bank information (unable to process line of credit accounts). For bank information please follow example for correct entry of account details.

**IMPORTANT:** In order for the Agreement to be enforceable, please ensure both the customer and Selling Dealer representative signs the certificate. The Selling Dealer must retain all signed documents.

### **Entering Payment Term Options**

The customer may adopt fewer payments but may not select a payment schedule that exceeds the Certificate life less 12 months to a maximum of 48 months.

\*\* Certificate Life = Certificate Expiration Date – Certificate Coverage Start Date (which is Contract Date on the certificate).

### **Where can I find the NIDPP Agreement?**

The NIDPP Agreement will populate as the last page of the certificate when LGM - NIDPP is selected as the Lienholder from the drop down menu that appears when the check box indicating the certificate to be “Financed”.

### **How do I create the NIDPP agreement?**

When selling the certificate to the customer, ensure that you indicate the certificate is “Financed” and select “LGM – NIDPP, Vancouver BC” as the Lienholder from the drop down menu, this will ensure that the No Interest Deferred Payment Plan section will generate after the cost has been calculated.

### **Where do I enter the NIDPP information?**

Once the “Calculate Price” button has been selected, with “LGM – NIDPP” indicated as the Lienholder, the HUB will generate the No Interest Deferred Payment Plan section of the certificate for information entry.

### **How do I know what information to enter in the No Interest Deferred Payment Plan section?**

Once LGM-NIDPP, Vancouver, BC has been selected, the No Interest Deferred Payment Plan section will auto-populate key pieces of information for you as well as indicate the limitations for each editable section.

### **What numbers do I enter from the customer’s cheque for their Bank information?**

When the Bank Withdrawal is indicated in the No Interest Deferred Payment Plan section of the certificate, an example cheque will indicate which numbers to enter in the Transit, Institution and Account number fields.

**Why is it necessary to indicate the Billing Address?**

With Bank and Credit Card regulations, the Administrator needs to be advised of any differences in the billing information from the certificate address information.

**What if we have “Saved” this certificate as a quote and the customer decides that they are no longer interested?**

As the certificate has not been “Purchased” the Administrator has not processed the certificate, membership agreement or the NIDPP agreement and the onus is on the Selling Dealer to “Delete” the certificate. The Administrator will only process the Down Payment (if applicable) when the Selling Dealer has “Purchased” the certificate. As long as the certificate is in “Saved” status the customer will not be charged any funds.

**How does the NIDPP Plan Work?**

Example:

1. Mrs. Smith is purchasing a 3 year mechanical breakdown certificate for her used vehicle, using the No Interest Deferred Payment Plan. The certificate costs \$2240 inclusive of taxes. To make her monthly payments, she has given the Business Manager her credit card number and expiry date. The Selling Dealer has a margin of \$1,000 on this product which equates to \$1,120 inclusive of taxes.
2. Mrs. Smith will be required to make a minimum 10% down payment (\$224), processed by the Administrator, at the time the certificate is purchased in the Hub.
3. Mrs. Smith has elected to make 18 monthly installments (refer to the “What Finance Terms are available to the customer?” section for the calculation rules regarding the payment terms) of \$112 each month ( $\$2240 - \$224 = \$2016/18$ ). She prefers to make these payments on the 15th of each month which has been indicated in the NIDPP section of the certificate.
4. The first payment will be taken on the date provided within the NIDPP Agreement section of the certificate (which must be within 45 days of certificate purchase.)
5. Once the Administrator has successfully collected Mrs. Smith’s down payment, the Administrator will issue the Selling Dealer - the dealer profit in good faith that the agreement will be paid in full in the future.

**Assistance**

Please call LGM Financial Services Inc. Customer Service at 1.800.510.8372 from 7:30am - 7:30pm EST.